

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF IOWA

IN RE:

KEVIN GEORGE SMITH
and SARAH BETH SMITH,

Debtors.

Chapter 7 Bankruptcy
Case No. 24-00638

**MOTION TO APPROVE
COMPROMISE (CRAIG ABRAHAM –
ADVERSARY #24-09068)**

COMES NOW Trustee Renee Hanrahan, by and through her counsel, and in support of this Motion respectfully states:

1. Before the filing of their Chapter 7 Petition, the Debtors has a preexisting junior mortgage on their homestead (the “Junior Mortgage”) and granted a mortgage in favor of Craig Abraham (who is related to the Debtors) in the amount of \$160,000, relative to their homestead in exchange for certain funds (the “Loan Proceeds”).

2. The Loan Proceeds were used solely for the purpose of obtaining a release of the Junior Mortgage.

3. The Trustee posits the mortgage grant to Craig Abraham constituted an avoidable transfer, within the meaning of 11 U.S.C. §548. As a result, the Trustee has filed Adversary #24-09068 against Craig Abraham.

4. Craig Abraham and the Trustee via counsel have conferred, and the parties have agreed to terms (the “Settlement”) providing that: (i) within 10 days of the Court’s approval of this motion, Craig Abraham will pay the Estate cash in the amount of \$22,500; (ii) the Estate and the Trustee shall release Craig Abraham and the Debtors from any and all actions arising under title 11 of the United States Code relative to the Debtor’s bankruptcy

case; and (iii) the Estate agrees that Craig Abraham shall be deemed to have an allowed prepetition general unsecured, non-priority claim in the amount of \$22,500.

5. Additionally, the Settlement shall not be considered an admission of liability by Craig Abraham, nor is the Settlement an admission of the strength or weakness of the Trustee's pursuit of Adversary #24-09068. Rather, the Settlement is entered into solely on the basis of the parties' desire to resolve their dispute at least cost to either party, in the most efficient and least time-consuming manner. By way of example, Craig Abraham raised defenses of good faith and value, and indeed Craig Abraham vehemently asserts the Trustee cannot sustain her burden of proof.

6. Given the dynamics of the parties' litigation posture, and the parties' desire to promptly and efficiently settle their dispute, the Settlement as outlined herein is fair and reasonable and should be approved.

WHEREFORE, the Chapter 7 Trustee respectfully prays this Court on such notice and hearing as it may direct, enter and enroll an Order granting the relief outlined in this Motion, and authorizing and directing the settling parties to execute any and all documents reasonably necessary to effectuate the Settlement, and for such other relief as may be just and proper under the premises.

/s/ Eric W. Lam

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Certificate of Service

The undersigned certifies, under penalty of perjury, that on this 18th day of February, 2025, the foregoing document was electronically filed with the Clerk of Court using the U.S. Bankruptcy Court, Northern District of Iowa CM/ECF and the document was served electronically through the CM/ECF system to the parties of this case.

/s/ Kelly Carmichael

RHTE Smith/Pldgs/BA 24-00638/Drafts/Mtn to Compromise – Craig Abraham.021725.1444.kc